

# PERAC AUDIT REPORT



## Braintree Contributory Retirement System

JAN. 1, 2002 - DEC. 31, 2005 / PERAC 05: 11-022-24



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# PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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JOSEPH E. CONNARTON, *Executive Director*

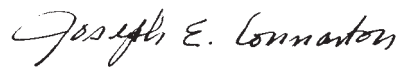
October 25, 2006

The Public Employee Retirement Administration Commission has completed an examination of the Braintree Retirement System pursuant to G.L. c. 32, s. 21. The examination covered the period from January 1, 2002 to December 31, 2005. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission with the exception of those noted in the findings presented in this report.

In closing, I acknowledge the work of examiners Martin J. Feeney and Mary Dundas who conducted this examination and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton  
Executive Director



## **Braintree Retirement System**

### **EXPLANATION OF FINDINGS AND RECOMMENDATIONS**

#### **FOR THE FOUR - YEAR PERIOD ENDING DECEMBER 31, 2005**

**1. Minutes:**

One Board member missed 33% of the meetings held in 2002 and 39% of the meetings held in 2003. Two other members missed 27% of the meetings held in 2004. An absentee rate of 25% or more is considered excessive.

**Recommendation:** Attendance at Board meetings is an obligation that must be fulfilled by all Board members. It is the Board's responsibility to advise members to make every effort to uphold their duties to the System. The Board may want to consider changing the times of Board meetings in order to accommodate the member's schedules.

**Board Response:**

The Board's meeting schedule is typically set in November of the previous year, and all regular and quarterly financial meetings are set. Occasionally, a meeting will be re-scheduled due to an expected absence of a Board member if the majority of the Board can accommodate the situation. Unfortunately, periodic illness, or family illness may keep a member from attending a meeting. If a member does not attend a meeting, that member is sent a copy of the documentation and the minutes so that s/he will be kept apprised of the matters before the Board.

**2. Expenses:**

As reported in the last audit, monies for staff payroll are deposited in a Town account and drawn upon weekly. These funds are not reconciled by either the Board or the Town and salaries are not properly accounted for in the general ledger.

**Recommendation:**

The general ledger must correctly reflect actual salary expenditures. Therefore, the Board must make an adjusting entry through accounts receivable or payable, whichever is appropriate, at least annually to account for the difference between what has been disbursed to the Town and what has been paid to employees.

**Board Response:**

Staff payroll funds are now disbursed monthly through the vendor warrant process, as reported in the last audit response. For the Year End Report 2006, the Braintree Contributory Retirement System's General Ledger will correctly reflect actual salary expenditures, by making a correcting entry at year end to the System's receivables or payables.

**Final determination:**

***PERAC audit staff will follow-up in six (6) months to ensure that appropriate actions have been taken regarding all findings.***

# Braintree Retirement System

## STATEMENT OF LEDGER ASSETS AND LIABILITIES

**FOR THE FOUR - YEAR PERIOD BEGINNING JANUARY 1, 2002  
AND ENDING DECEMBER 31, 2005**

<b>FOR THE PERIOD ENDING DECEMBER 31,</b>				
<b>ASSETS</b>	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>2002</u></b>
Cash	\$3,868,857	\$3,540,148	\$4,242,477	\$2,390,040
Short Term Investments	0	0	0	0
Fixed Income Securities (at book value)	0	0	0	451,485
Equities	25,970,881	24,576,562	21,145,368	8682303
Pooled Short Term Funds	0	0	0	0
Pooled Domestic Equity Funds	21,455,488	20,446,092	19,446,884	20,878,318
Pooled International Equity Funds	19,458,148	18,293,867	14,988,340	9,633,609
Pooled Global Equity Funds	0	0	0	0
Pooled Domestic Fixed Income Funds	41,679,007	41,845,518	38,858,106	37,929,735
Pooled International Fixed Income Funds	0	0	0	0
Pooled Global Fixed Income Funds	0	0	0	0
Pooled Alternative Investment Funds	0	0	0	0
Pooled Real Estate Funds	7,303,277	6,027,044	4,726,564	4,257,473
Pooled Domestic Balanced Funds	0	0	0	0
Pooled International Balanced Funds	0	0	0	0
PRIT Cash Fund	0	0	0	0
PRIT Core Fund	0	0	0	0
Interest Due and Accrued	0	0	0	7,215
Accounts Receivable	670	206,890	18,412	0
Accounts Payable	<b>(37,560)</b>	<b>(22,365)</b>	<b>(80,990)</b>	<b>(89,184)</b>
<b>TOTAL</b>	<b><u>\$119,698,768</u></b>	<b><u>\$114,913,756</u></b>	<b><u>\$103,345,161</u></b>	<b><u>\$84,140,994</u></b>
<b>FUND BALANCES</b>				
Annuity Savings Fund	\$27,392,925	\$25,891,396	\$25,155,736	\$24,486,089
Annuity Reserve Fund	10,440,330	10,329,248	9,227,564	8,129,561
Pension Fund	1,335,291	3,837,085	6,162,430	7,934,202
Military Service Fund	1,466	1,457	1,448	1,434
Expense Fund	0	0	0	0
Pension Reserve Fund	<u>80,528,756</u>	<u>74,854,570</u>	<u>62,797,983</u>	<u>43,589,708</u>
<b>TOTAL</b>	<b><u>\$119,698,768</u></b>	<b><u>\$114,913,756</u></b>	<b><u>\$103,345,161</u></b>	<b><u>\$84,140,994</u></b>

## Braintree Retirement System

### STATEMENT OF CHANGES IN FUND BALANCES

**FOR THE FOUR - YEAR PERIOD BEGINNING JANUARY 1, 2002  
AND ENDING DECEMBER 31, 2005**

	<b>Annuity Savings Fund</b>	<b>Annuity Reserve Fund</b>	<b>Pension Fund</b>	<b>Military Service Fund</b>	<b>Expense Fund</b>	<b>Pension Reserve Fund</b>	<b>Total All Funds</b>
<b>Beginning Balance (2002)</b>	\$23,311,641	\$7,190,717	\$9,022,348	\$1,414	0	\$52,400,494	<b>\$91,926,614</b>
Receipts	3,031,551	227,228	5,594,270	20	734,652	(8,822,306)	765,415
Interfund Transfers	<b>(1,608,966)</b>	1,597,446	0	0	0	11,520	0
Disbursements	<b>(248,137)</b>	<b>(885,830)</b>	<b>(6,682,416)</b>	0	<b>(734,652)</b>	0	<b>(8,551,035)</b>
<b>Ending Balance (2002)</b>	<b>24,486,089</b>	<b>8,129,561</b>	<b>7,934,202</b>	<b>1,434</b>	<b>0</b>	<b>43,589,708</b>	<b>84,140,994</b>
Receipts	3,065,822	253,088	5,625,810	14	704,469	19,201,707	<b>28,850,910</b>
Interfund Transfers	<b>(1,875,586)</b>	1,869,017	0	0	0	6,567	(2)
Disbursements	<b>(520,589)</b>	<b>(1,024,102)</b>	<b>(7,397,582)</b>	<u>0</u>	<b>(704,469)</b>	<u>0</u>	<b>(9,646,742)</b>
<b>Ending Balance (2003)</b>	<b>25,155,736</b>	<b>9,227,564</b>	<b>6,162,430</b>	<b>1,448</b>	<b>0</b>	<b>62,797,982</b>	<b>103,345,160</b>
Receipts	3,011,501	289,781	5,858,478	9	760,419	12,056,165	<b>21,976,353</b>
Interfund Transfers	<b>(1,937,634)</b>	1,940,404	<b>(3,193)</b>	0	0	423	<b>0</b>
Disbursements	<b>(338,208)</b>	<b>(1,128,501)</b>	<b>(8,180,630)</b>	<u>0</u>	<b>(760,419)</b>	<u>0</u>	<b>(10,407,758)</b>
<b>Ending Balance (2004)</b>	<b>25,891,395</b>	<b>10,329,248</b>	<b>3,837,085</b>	<b>1,457</b>	<b>0</b>	<b>74,854,570</b>	<b>114,913,755</b>
Receipts	3,088,545	306,981	6,283,826	9	918,175	5,674,097	<b>16,271,633</b>
Interfund Transfers	<b>(1,027,607)</b>	1,027,518	0	0	0	89	<b>0</b>
Disbursements	<b>(559,408)</b>	<b>(1,223,417)</b>	<b>(8,785,620)</b>	<u>0</u>	<b>(918,175)</b>	<u>0</u>	<b>(11,486,620)</b>
<b>Ending Balance (2005)</b>	<b><u>\$27,392,925</u></b>	<b><u>\$10,440,330</u></b>	<b><u>\$1,335,291</u></b>	<b><u>\$1,466</u></b>	<b><u>\$0</u></b>	<b><u>\$80,528,756</u></b>	<b><u>\$119,698,768</u></b>

# Braintree Retirement System

## STATEMENT OF INCOME

**FOR THE FOUR - YEAR PERIOD BEGINNING JANUARY 1, 2002  
AND ENDING DECEMBER 31, 2005**

	<b>FOR THE PERIOD ENDING DECEMBER 31,</b>			
	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>2002</u></b>
<b>Annuity Savings Fund:</b>				
Members Deductions	\$2,683,986	\$2,577,927	\$2,678,764	\$2,448,147
Transfers from other Systems	175,271	178,188	114,172	201,227
Member Make Up Payments and Redeposits	53,320	61,762	24,498	69,455
Member Payments from Rollovers	25,610	44,372	14,101	0
Investment Income Credited to Member Accounts	150,357	149,252	234,287	312,722
<b>Sub Total</b>	<b><u>3,088,544</u></b>	<b><u>3,011,501</u></b>	<b><u>3,065,822</u></b>	<b><u>3,031,551</u></b>
<b>Annuity Reserve Fund:</b>				
Investment Income Credited Annuity Reserve Fund	306,981	289,781	253,088	227,228
<b>Pension Fund:</b>				
3 (8) (c) Reimbursements from Other Systems	135,056	105,626	85,220	84,732
Received from Commonwealth for COLA and Survivor Benefits	384,735	400,202	346,607	483,065
Pension Fund Appropriation	5,764,034	5,352,650	5,193,984	5,026,473
<b>Sub Total</b>	<b><u>6,283,825</u></b>	<b><u>5,858,478</u></b>	<b><u>5,625,811</u></b>	<b><u>5,594,270</u></b>
<b>Military Service Fund:</b>				
Contribution Received from Municipality on Account of Military Service	0	0	0	0
Investment Income Credited Military Service Fund	9	9	14	20
<b>Sub Total</b>	<b><u>9</u></b>	<b><u>9</u></b>	<b><u>14</u></b>	<b><u>20</u></b>
<b>Expense Fund:</b>				
Expense Fund Appropriation	0	0	0	0
Investment Income Credited to Expense Fund	918,175	760,419	704,469	734,652
<b>Sub Total</b>	<b><u>918,175</u></b>	<b><u>760,419</u></b>	<b><u>704,469</u></b>	<b><u>734,652</u></b>
<b>Pension Reserve Fund:</b>				
Federal Grant Reimbursement	49,598	39,907	36,191	33,704
Pension Reserve Appropriation	0	0	0	0
Interest Not Refunded	3,749	7,048	2,831	3,757
Miscellaneous Income	5,455	10,633	5	14,000
Excess Investment Income	5,615,295	11,998,577	19,162,679	(8,873,767)
<b>Sub Total</b>	<b><u>5,674,097</u></b>	<b><u>12,056,165</u></b>	<b><u>19,201,706</u></b>	<b><u>(8,822,306)</u></b>
<b>TOTAL RECEIPTS</b>	<b><u>\$16,271,631</u></b>	<b><u>\$21,976,353</u></b>	<b><u>\$28,850,910</u></b>	<b><u>\$765,415</u></b>

# Braintree Retirement System

## STATEMENT OF DISBURSEMENTS

**FOR THE FOUR - YEAR PERIOD BEGINNING JANUARY 1, 2002  
AND ENDING DECEMBER 31, 2005**

<b>FOR THE PERIOD ENDING DECEMBER 31,</b>				
<b>Annuity Savings Fund:</b>	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>2002</u></b>
Refunds to Members	\$334,700	\$256,487	\$233,924	\$226,993
Transfers to other Systems	<u>224,708</u>	<u>81,721</u>	<u>286,665</u>	<u>21,144</u>
<b>Sub Total</b>	<b><u>559,408</u></b>	<b><u>338,208</u></b>	<b><u>520,589</u></b>	<b><u>248,137</u></b>
<b>Annuity Reserve Fund:</b>				
Annuities Paid	1,223,180	1,124,786	991,501	883,325
Option B Refunds	<u>237</u>	<u>3,715</u>	<u>32,601</u>	<u>2,505</u>
<b>Sub Total</b>	<b><u>1,223,417</u></b>	<b><u>1,128,501</u></b>	<b><u>1,024,102</u></b>	<b><u>885,830</u></b>
<b>Pension Fund:</b>				
Pensions Paid				
Regular Pension Payments	5,454,847	4,680,129	4,482,327	4,072,994
Survivorship Payments	452,250	448,789	430,058	372,029
Ordinary Disability Payments	184,935	206,078	203,690	134,956
Accidental Disability Payments	1,714,665	1,546,811	1,379,566	1,043,071
Accidental Death Payments	642,468	950,720	684,089	371,307
Section 101 Benefits	52,163	50,644	52,891	402,800
3 (8) (c) Reimbursements to Other Systems	217,209	176,085	164,961	173,068
State Reimbursable COLA's Paid	67,083	121,374	0	112,191
Chapter 389 Beneficiary Increase Paid	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Sub Total</b>	<b><u>8,785,620</u></b>	<b><u>8,180,630</u></b>	<b><u>7,397,582</u></b>	<b><u>6,682,416</u></b>
<b>Military Service Fund:</b>				
Return to Municipality for Members Who Withdrew Their Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Expense Fund:</b>				
Board Member Stipend	0	0	0	0
Salaries	141,200	131,000	137,000	136,000
Legal Expenses	6,067	11,901	14,143	18,483
Medical Expenses	0	0	30	0
Travel Expenses	7,066	2,532	794	4,017
Service Contracts	0	0	11,701	1,336
Fiduciary Insurance	6,272	6,424	4,200	3,400
Administrative Expenses	45,217	80,824	37,882	56,165
Furniture and Equipment	5,195	5,165	2,172	474
Management Fees	586,419	428,912	393,764	415,315
Custodial Fees	75,739	52,616	61,609	60,123
Consultant Fees	<u>45,000</u>	<u>41,044</u>	<u>41,175</u>	<u>39,339</u>
<b>Sub Total</b>	<b><u>918,175</u></b>	<b><u>760,418</u></b>	<b><u>704,470</u></b>	<b><u>734,652</u></b>
<b>TOTAL DISBURSEMENTS</b>	<b><u>\$11,486,620</u></b>	<b><u>\$10,407,757</u></b>	<b><u>\$9,646,743</u></b>	<b><u>\$8,551,035</u></b>



# Braintree Retirement System

## INVESTMENT INCOME

**FOR THE FOUR - YEAR PERIOD BEGINNING JANUARY 1, 2002  
AND ENDING DECEMBER 31, 2005**

	FOR THE PERIOD ENDING DECEMBER 31,			
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>Investment Income Received From:</b>				
Cash	115,860	56,132	53,707	79,158
Short Term Investments	0	0	0	0
Fixed Income	0	0	9,425	1,690,666
Equities	409,830	336,819	224,272	108,628
Pooled or Mutual Funds	<u>2,975,399</u>	<u>2,521,655</u>	<u>2,395,939</u>	<u>1,421,527</u>
Commission Recapture				
<b>TOTAL INVESTMENT INCOME</b>	<b><u>3,501,089</u></b>	<b><u>2,914,606</u></b>	<b><u>2,683,343</u></b>	<b><u>3,299,979</u></b>
<b>Plus:</b>				
Increase in Amortization of Fixed Income Securities	0	0	0	0
Realized Gains	1,977,732	1,329,648	1,242,808	1,116,224
Unrealized Gains	9,716,923	14,248,143	21,438,535	9,507,200
Interest Due and Accrued on Fixed Income Securities - Current Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,216</u>
<b>Sub Total</b>	<b><u>11,694,655</u></b>	<b><u>15,577,791</u></b>	<b><u>22,681,343</u></b>	<b><u>10,630,640</u></b>
<b>Less:</b>				
Decrease in Amortization of Fixed Income Securities	0	0	0	0
Paid Accrued Interest on Fixed Income Securities	0	0	0	(135,169)
Realized Loss	(628,600)	(208,989)	(172,819)	(2,496,806)
Unrealized Loss	(7,576,327)	(5,085,371)	(4,830,114)	(18,605,349)
Interest Due and Accrued on Fixed Income Securities - Prior Year	<u>0</u>	<u>0</u>	<u>(7,216)</u>	<u>(292,440)</u>
<b>Sub Total</b>	<b><u>(8,204,927)</u></b>	<b><u>(5,294,360)</u></b>	<b><u>(5,010,149)</u></b>	<b><u>(21,529,764)</u></b>
<b>NET INVESTMENT INCOME</b>	<b><u>6,990,817</u></b>	<b><u>13,198,037</u></b>	<b><u>20,354,537</u></b>	<b><u>(7,599,145)</u></b>
<b>Income Required:</b>				
Annuity Savings Fund	150,358	149,252	234,287	312,722
Annuity Reserve Fund	306,981	289,781	253,088	227,228
Military Service Fund	9	9	14	20
Expense Fund	<u>918,175</u>	<u>760,419</u>	<u>704,469</u>	<u>734,652</u>
<b>TOTAL INCOME REQUIRED</b>	<b><u>1,375,523</u></b>	<b><u>1,199,461</u></b>	<b><u>1,191,858</u></b>	<b><u>1,274,622</u></b>
Net Investment Income	<u>6,990,817</u>	<u>13,198,037</u>	<u>20,354,537</u>	<u>(7,599,145)</u>
Less: Total Income Required	<u>1,375,523</u>	<u>1,199,461</u>	<u>1,191,858</u>	<u>1,274,622</u>
<b>EXCESS INCOME TO THE PENSION RESERVE FUND</b>	<b><u>\$5,615,294</u></b>	<b><u>\$11,998,576</u></b>	<b><u>\$19,162,679</u></b>	<b><u>(\$8,873,767)</u></b>

## Braintree Retirement System

### **STATEMENT OF ALLOCATION OF INVESTMENTS OWNED**

(percentages by category)

**FOR THE PERIOD ENDING DECEMBER 31, 2005**

	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED
Cash	\$3,868,857	3.23%	100
Short Term	0	0.00%	100
Fixed Income	0	0.00%	40 - 80
Equities	25,970,881	21.69%	60
Pooled Short Term Funds	0	0.00%	
Pooled Domestic Equity Funds	21,455,488	17.92%	60
Pooled International Equity Funds	19,458,148	16.25%	15
Pooled Global Equity Funds	0	0.00%	
Pooled Domestic Fixed Income Funds	41,679,007	34.81%	40 - 80
Pooled International Fixed Income Funds	0	0.00%	
Pooled Global Fixed Income Funds	0	0.00%	
Pooled Alternative Investment Funds	0	0.00%	
Pooled Real Estate Funds	7,303,277	6.10%	10
Pooled Domestic Balanced Funds	0	0.00%	
Pooled International Balanced Funds	0	0.00%	
PRIT Cash Fund	0	0.00%	
PRIT Core Fund	0	0.00%	100
<b>GRAND TOTALS</b>	<b>\$119,735,658</b>	<b>100.00%</b>	

For the year ending December 31, 2005 the rate of return for the investments of the Braintree Retirement System was 6.26%. For the five-year period ending December 31, 2005 the rate of return for the investments of the Braintree Retirement System averaged 6.41%. For the twenty-one year period ending December 31, 2005 since PERAC began evaluating the returns of the retirement systems, the rate of return of the investments of the Braintree Retirement System was 9.89%

## **Braintree Retirement System**

### **SUPPLEMENTARY INVESTMENT REGULATIONS**

#### **FOR THE FOUR - YEAR PERIOD ENDING DECEMBER 31, 2005**

The Braintree Retirement System submitted the following supplementary investment regulations, which were approved by PERAC on:

September 23, 1986

- 20.06(8) Sales of fixed income investments with maturities exceeding one year shall not exceed 200% of the market value of all fixed income obligations in any twelve-month period, excluding cash and short-term obligations.
- 20.07(6) Sales of equity investments shall not exceed 150% of the average market value of all equity holdings in any twelve-month period.

October 12, 1995

- 20.04(1) United States based corporations and equities of foreign corporations.
- 20.07(5) Equity investments shall be made only in securities listed on a United States stock exchange, traded over the counter in the United States, or listed and traded on a foreign exchange.

December 21, 1995 (Metric Apartment Co – Investment Trust)

- 20.07(9) Commingled real estate shall not exceed 10% of the total book value of the portfolio at the time of purchase provided that:
  - (a) the retirement board does not participate in the selection of personnel responsible for making real estate investments and should this be required, prior to any participation by the board, the board shall consult with PERA to determine the appropriate course of action;
  - (b) such personnel retain authority in the decision making process, and
  - (c) should an investment in real estate result in the direct ownership of real estate or mortgage indebtedness, such shall be permitted only until such time as divestiture is prudent.

August 13, 1997

- 20.03(1) Equity investments shall not exceed 60% of the portfolio valued at market, including international equities, which shall not exceed 15% of the portfolio valued at market.

## **Braintree Retirement System**

### **NOTES TO FINANCIAL STATEMENTS**

#### **FOR THE FOUR - YEAR PERIOD ENDING DECEMBER 31, 2005**

##### **NOTE 1 - THE SYSTEM**

The plan is a contributory defined benefit plan covering all Braintree Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

Instituted in 1937, the System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

The system provides for retirement allowance benefits up to a maximum of 80% of a member's highest three year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions, normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 75 - 85% pension and 15 - 25% annuity.

Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Members joining the retirement system after January 1, 1979 must contribute an additional 2% on regular compensation earned at a rate in excess of \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Executive Director of PERAC according to statute. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustment granted between 1981 and 1997 and any increase in other benefits imposed by state law during that period are borne by the state.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current year pension payments as indicated on the most recent funding schedule as approved by PERAC's Actuary. Until recently, retirement systems were paying only the actual retirement benefits that were due each year.

## **Braintree Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE FOUR - YEAR PERIOD ENDING DECEMBER 31, 2005**

Systems had no statutory authorization to put aside any money for the future benefits of employees who are now working. Large unfunded liabilities resulted from operating upon this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations.

In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the retirement systems' unfunded liabilities, and in some systems have actually eliminated such liability.

Administrative expenses are funded through investment income of the system.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors including: whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veteran's status, and group classification.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

#### **NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Executive Director of Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Voluntary contributions, re-deposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

## **Braintree Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE FOUR - YEAR PERIOD ENDING DECEMBER 31, 2005**

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

#### **NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS**

The Braintree Retirement System submitted the following supplementary membership regulations, which were approved by PERAC on:

September 27, 2002

The Board has adopted Travel Supplemental Regulations under the provisions of M.G.L. c.7, § 50 and M.G.L. c.32, § 21(4). (Regulation available upon written request)

## **Braintree Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE FOUR - YEAR PERIOD ENDING DECEMBER 31, 2005**

##### **January 6, 2004 Eligibility**

1. Membership is mandatory for all\* hired or appointed employees of the Town of Braintree who are employed twenty (20) hours or more per week on a regular basis for a period of time exceeding six (6) months, with the exception of those employees who attain the age of 70, upon which membership becomes voluntary.

2. Those Employees whose salaries are funded through a Federal or State Grant and are employed for twenty (20) hours or more per week are allowed membership into the System. All departments with Grant Employees shall reimburse the Braintree Retirement System on an annual basis of 9% of the total Grant Employees' salary.

*Town of Braintree Teachers who qualify for membership to Massachusetts Teachers' Retirement System are excluded from the Braintree Retirement System.*

##### **January 6, 2004 Service Credit**

1. Credit will be granted on the basis of one (1) year, for a member in service who is employed in a full time capacity, as mandated for that position. (see addendum)

2. In the case of school employees whose position requires them to work from approximately September 01 to approximately June 30, said employees shall receive one (1) month of creditable service for each full month the employee is receiving regular compensation. Said employees shall be granted one (1) full year of service credit if they return to that position the following September. They shall be granted credit only for the months worked if they do not return after summer break.

3. For a member in service who is employed in part-time capacity throughout their entire career while an employee of the Town of Braintree, said employee will receive one year of creditable service for each full calendar in which the employee is receiving regular compensation for said service.

4. For a member in service who is employed in both a part-time capacity and full time capacity simultaneously, the member shall be pensioned on both positions but shall receive no more than one year of full time service for each calendar year.

5. Five (5) years maximum credit will be allowed to reserve or permanent intermittent police officers, or permanent intermittent or call firefighters, if they gain employment in a *qualified position* eligible for membership to the system, consistent with the provision of M.G.L. c. 32 § 4(2)(b).

## **Braintree Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE FOUR - YEAR PERIOD ENDING DECEMBER 31, 2005**

6. Any member in service who regularly receives full time credit, but has had hours eliminated from the position due to budgetary constraints, shall continue to receive full time credit with the Braintree Retirement System.

#### **January 6, 2004 Prior Service/Make-ups**

1. When purchasing prior part-time service, if total hours worked cannot be obtained, then a W -2 shall be supplied by the applicant. An attempt should be made to acquire the Wage and Salary form from the Personnel Department. The

Board should attempt to assess the hourly wage, divide by the W -2 and determine the yearly hours worked.

2. Former Comprehensive Employment Training Act (CETA) Employees who have provided service to the Town of Braintree, and can provide documentation of same, are eligible for membership in the Braintree Retirement System if they meet current requirements for membership.

3. Make-up payments are allowed for members who previously worked less than part-time and were ineligible for membership. Credit will be prorated as it relates to the *position* held at time of prior service. Prior service credit shall not be granted for a partial month.

4. Make-up payments of prior service shall be received in a lump sum payment, or in weekly installments with the repayment period not to exceed two years, except cases of hardship as determined by the Board. Once the agreement is made to repay no further interest shall be accrued

5. Make-up payments of prior military service shall be received in a lump sum payment, or in minimum weekly installments of \$35, with the repayment period not to exceed five years, except in cases of hardship as determined by the Board.

6. Upon written request, and proper documentation of prior service, prior service for permanent-intermittent police officers, or permanent intermittent or call firefighters who are subsequently appointed to the respective department as a permanent full time employee, shall be granted credit for each full year served [up to the maximum allowed by law], without repayment to the system. Deductions shall be withheld from all members' payroll checks in accordance with M.G.L. ch. 32, §22(1).

#### **January 6, 2004 Disbursement of Funds**

1. Disbursement of retiree payroll funds shall be authorized by signatures of any two (2) members of the Retirement Board, or one (1) member, and the Director per M.G.L. Ch. 32 §23 (2).

2. Disbursement of any funds other than retiree payroll shall be authorized by signatures of the majority of the Board.



## Braintree Retirement System

### NOTES TO FINANCIAL STATEMENTS (Continued)

#### FOR THE FOUR - YEAR PERIOD ENDING DECEMBER 31, 2005

January 6, 2004 Addendum: Service

Credit Full time *Positions* Qualify as :Clerical, and Department Heads - Seven (7) hour days; Thirty Five (35) hour work week,

Laborers - Eight (8) hour days; Forty (40) hour work week

Crossing Guards - Four (4) hour days; Twenty (20) hour work week

School Cafeteria Staff -Six (6) hour days; Thirty (30) hour work week.

Braintree Retirement System Creditable Service

Buy Back of prior service formula:

EXAMPLES:

*An employee works a total of 480 hours as an intermittent school lunch staffer. S/he requests to buy this time back when she becomes permanent lunch staff*

Calculation:

480 hours / 6 hours in a day / 21.6 work days in a month = 3 months of creditable service to be granted

*An employee works a total of 1,850 hours as a part-time (non member) clerical and now has been made full time clerical.*

Calculation:

1,850 hours / 7 hours in a day / 21.6 work days in a month = 12 months of creditable service to be granted

*An employee works a total of 480 hours as an intermittent school lunch staffer. S/he becomes a laborer and requests to buy this prior service time as a school lunch staffer.*

Calculation:

480 hours / 6 hours in a day / 21.6 work days in a month = 3 months of creditable service to be granted

Note: Service time to be granted based on *position* held at time of prior service, not based on new position.

December 6, 2004 Prior Service/Make-ups

1. When purchasing prior part-time service, one must be an "active member" at the time of requests and repayment. If total hours worked cannot be obtained, then a W -2 shall be supplied by the applicant. An attempt should be made to acquire the Wage and Salary form from the Personnel Department. The Board should attempt to assess the hourly wage, divide by the W -2 and determine the yearly hours worked.

## **Braintree Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE FOUR - YEAR PERIOD ENDING DECEMBER 31, 2005**

##### **NOTE 4 - ADMINISTRATION OF THE SYSTEM**

The System is administered by a five person Board of Retirement, (The Braintree Retirement Board has adopted a local option under c.32 § 20(4)(c) ), consisting of a first and second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by PERAC after being nominated by the other four board members.

Appointed Member:	Carl Johnson	Term Expires:	11/18/2007
Appointed Member:	David M. Shaw	Term Expired:	11/18/2004
Appointed Member:	Frederick Viola	Term Expires:	11/18/2007
Elected Member:	Gerald J. Kenny Jr.	Term Expires:	6/30/2008
Elected Member:	Phyllis A. DiPalma	Term Expires:	6/30/2008
Appointed Member:	Edward Dowd	Term Expires:	2/27/2009

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by at least two members of the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:	)	\$50,000,000
		Fiduciary Liability
Appointed Member	)	\$1,000,000
Elected Member:	)	Commercial Crime-Employee
		Dishonesty
Appointed Member:	)	
Staff Employee:	)	

# Braintree Retirement System

## NOTES TO FINANCIAL STATEMENTS (Continued)

### FOR THE FOUR - YEAR PERIOD ENDING DECEMBER 31, 2005

#### NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by Stone Consulting, Inc. as of January 1, 2004.

The actuarial liability for active members was	\$73,729,420
The actuarial liability for vested terminated and inactive members was	601,331
The actuarial liability for retired members and beneficiaries was	<u>76,992,895</u>
The total actuarial liability was	<b>151,323,646</b>
System assets as of that date were	<u>103,345,161</u>
The unfunded actuarial liability was	<b><u>\$47,978,485</u></b>
 The ratio of system's assets to total actuarial liability was	 68.3%
As of that date the total covered employee payroll was	\$29,450,291

The normal cost for employees on that date was 8.3% of payroll

The normal cost for the employer was 5.1% of payroll

The principal actuarial assumptions used in the valuation are as follows:

**Investment Return:** 8.00% per annum

**Rate of Salary Increase:** 4.75% per annum

#### GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2004

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b-a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a/b)</u>	<u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>UAAL as a</u> <u>% of</u> <u>Cov. Payroll</u> <u>((b-a)/c)</u>
1/1/2004	\$103,345,161	\$151,323,646	\$47,978,485	68.3%	\$29,450,291	162.9%
1/1/2002	\$91,926,614	\$132,849,860	\$40,923,246	69.2%	\$28,775,379	142.2%
1/1/2000	\$89,822,248	\$117,318,111	\$27,495,863	76.6%	\$24,276,115	113.3%
1/1/1998	\$68,897,791	\$112,686,983	\$43,789,192	61.1%	\$22,658,090	193.3%
1/1/1995	\$45,077,121	\$77,687,186	\$32,610,065	58.0%	\$19,618,301	166.2%

## Braintree Retirement System

### NOTES TO FINANCIAL STATEMENTS (Continued)

**FOR THE FOUR - YEAR PERIOD ENDING DECEMBER 31, 2005**

#### NOTE 6 - MEMBERSHIP EXHIBIT

<b>Retirement in Past Years</b>	<b><u>1996</u></b>	<b><u>1997</u></b>	<b><u>1998</u></b>	<b><u>1999</u></b>	<b><u>2000</u></b>	<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>
Superannuation	22	18	17	12	24	14	21	18	24	11
Ordinary Disability	1	2	0	0	1	0	1	1	0	0
Accidental Disability	1	1	0	1	5	1	3	4	3	3
<b>Total Retirements</b>	<b>24</b>	<b>21</b>	<b>17</b>	<b>13</b>	<b>30</b>	<b>15</b>	<b>25</b>	<b>23</b>	<b>27</b>	<b>14</b>
Total Retirees, Beneficiaries and Survivors	469	477	477	476	481	473	483	484	498	495
<b>Total Active Members</b>	<b>613</b>	<b>612</b>	<b>638</b>	<b>690</b>	<b>711</b>	<b>745</b>	<b>754</b>	<b>732</b>	<b>733</b>	<b>799</b>
<b>Pension Payments</b>										
Superannuation	\$2,828,555	\$3,061,898	\$3,151,815	\$3,416,949	\$3,550,225	\$3,761,142	\$4,072,994	\$4,482,327	\$4,680,129	\$5,454,847
Survivor/Beneficiary Payments	342,345	357,723	357,314	368,838	380,387	374,351	372,029	430,058	448,789	452,250
Ordinary Disability	129,730	120,150	135,971	132,320	131,171	121,149	134,956	203,690	206,078	184,935
Accidental Disability	867,518	907,713	845,846	833,370	885,866	999,190	1,043,071	1,379,566	1,546,811	1,714,665
Other	<u>597,127</u>	<u>611,401</u>	<u>612,595</u>	<u>727,434</u>	<u>782,134</u>	<u>789,793</u>	<u>1,059,366</u>	<u>901,942</u>	<u>1,298,823</u>	<u>978,922</u>
<b>Total Payments for Year</b>	<b><u>\$4,765,275</u></b>	<b><u>\$5,058,885</u></b>	<b><u>\$5,103,541</u></b>	<b><u>\$5,478,911</u></b>	<b><u>\$5,729,783</u></b>	<b><u>\$6,045,625</u></b>	<b><u>\$6,682,416</u></b>	<b><u>\$7,397,583</u></b>	<b><u>\$8,180,630</u></b>	<b><u>\$8,785,619</u></b>

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